

Message Text

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46

ACTION EB-11

INFO OCT-01 ARA-11 EA-11 ADP-00 INT-08 AID-20 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07

OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 NSC-10 SS-15

STR-08 CEA-02 RSR-01 /140 W
----- 119390

R 181725 Z JUN 73

FM AMEMBASSY PANAMA

TO SECSTATE WASHDC 7757

INFO AMEMBASSY TOKYO

C O N F I D E N T I A L PANAMA 3230

EO 11652: GDS

TAGS: EMIN, PN, JA

SUBJ: U. S. FIRM TO BUY OUT JAPANESE IRON MINING INTERESTS

1. ACCORDING TO THE LOCAL REPRESENTATIVE OF SUMITOMO SHOJI KAISHA, LTD., MR. NOBUO KAWASAKI, WHO IS ALSO PRESIDENT OF HIERRO PANAMA, S. A., SUMITOMO EXPECTS TO CONCLUDE WITHIN TWO WEEKS NEGOTIATIONS TO SELL THE FIRM TO THE MARCONA CORPORATION OF SAN FRANCISCO. A FEW MONTHS AGO SUMITOMO BOUGHT OUT THE LOCALLY OWNED SHARES OF HIERRO PANAMA WHICH HAD BEEN EXPORTING HEMATITE ORE, OBTAINED FROM LOCAL SAND DEPOSITIS, TO JAPAN. THE EXPESIVE LOADING FACILITIES WERE DAMAGED DURING A LOADING OPERATION FOR THE THIRD SHIPMENT LAST YEAR AND THE COMPANY HAS NOT EXPORTED ANY ORE SINCE THE EARLY PART OF 1972 WHILE NEGOTIATING AN INSURANCE SETTLEMENT. ALTHOUGH THE SALE PRICE WAS NOT MENTIONED, THE EMBASSY UNDERSTANDS THAT SUMITOMO INVESTED MORE THAN \$5 MILLION IN THE INSTALLATIONS.

2. KAWASAKI WAS VERY DISILLUSIONED ABOUT HIS EXPERIENCE IN PANAMA AND IS ANXIOUS TO RETURN TO JAPAN. HE DESCRIBED PANAMA AS A GOOD PLACE FOR TRADE BUT NOT FOR APRODUCTIVE ENTERPRISE, ESPECCIALY BECAUSE OF THE HIGH COST AND INEFFICIENCY OF LABOR
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AND THE ADDED PROBLEMS CAUSED BY PANAMA' S LABOR CODE. HE SAID
THAT SUMITOMO' S BIGGEST MISTAKE WAS TO ALLOW LOCAL PARTICIPATION
IN MANAGEMENT.

3. COMMENT: ALTHOUGH THE RECENT OPENING OF A BRANCH OF THE
BANK OF TOKYO AND A NEW RESTAURANT, IN WHICH THE OWNERS
INVESTED ABOUT \$150,000, INDICATE EVIDENCE OF CONTINUED
JAPANESE INTEREST IN PANAMA, THE EXPERIENCE OF
SUMITOMO AND OF MITSUI IN COPPER NEGOTIATIONS
(SEE PANAMA 2796) SHOULD DAMPEN FURTHER INTEREST IN
OBTAINING MINERAL RESOURCES FROM PANAMA.
SAYRE

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NNNNMAFVVZCZ

*** Current Handling Restrictions *** n/a

*** Current Classification *** CONFIDENTIAL

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30 JUN 2005

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